

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3762 - HB 3760

March 6, 2012

**SUMMARY OF BILL:** Increases, from \$1,000,000 to \$1,250,000, the maximum single allowable exemption for state inheritance tax on estates of decedents dying in tax year 2013 and thereafter.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact –  
\$14,191,100/FY13-14 and Subsequent Years**

**Increase Local Revenue - \$207,100/FY13-14 and Subsequent Years**

**According to the Department of Finance and Administration, the Division of Budget, the Governor's proposed budget for FY12-13 reflects a non-recurring increase in state revenue of \$15,000,000 (reflecting a portion of FY12-13 inheritance tax revenue collected under current law) and a recurring decrease in state revenue of \$15,000,000 (beginning in FY13-14 under this bill).**

**Assumptions:**


- One hundred percent of inheritance tax revenue is allocated to the General Fund.
- One hundred percent of inheritance tax returns for tax year 2013 are settled in FY13-14. This assumes the net taxable estates of decedents dying between January 1, 2013, and June 30, 2013, are settled with the Department of Revenue (DOR) between July 1, 2013, and December 31, 2013. It further assumes the net taxable estates of decedents dying between July 1, 2013 and December 31, 2013, are settled with DOR between January 1, 2014, and June 30, 2014. These scenarios assume an average six-month time period between the date-of-death of the decedent and complete settlement of the estate with DOR. As a result, the first year impacted will be FY13-14. This pattern of estate settlement is assumed to remain constant into perpetuity.
- According to DOR, inheritance tax collections in FY10-11 were \$97,875,967. This number is assumed to remain constant in subsequent years under current law.
- Based on information provided by DOR, it is estimated that 15 percent of inheritance tax revenue would be eliminated as a result of this bill. Therefore, the recurring decrease in

inheritance tax revenue beginning in FY13-14 is estimated to be \$14,681,395 (\$97,875,967 x 15.0%).

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring increase in state sales tax revenue beginning in FY13-14 as a result of 50 percent of tax savings being spent in the economy on other sales-taxable goods and services is estimated to be \$513,849 ( $\$14,681,395 \times 50.0\% \times 7.0\%$ ); the recurring increase in local option sales tax revenue beginning in FY13-14 as a result of 50 percent of tax savings being spent in the economy on other sales-taxable goods and services is estimated to be \$183,517 ( $\$14,681,395 \times 50.0\% \times 2.5\%$ ).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The recurring increase in local revenue beginning in FY13-14 pursuant to the state-shared allocation is estimated to be \$23,599 ( $\$513,849 \times 4.5925\%$ ).
- The net recurring increase in state sales tax revenue beginning in FY13-14 as a result of 50 percent of tax savings being spent in the economy on other sales-taxable goods and services is estimated to be \$490,250 ( $\$513,849 - \$23,599$ ).
- The total recurring increase in local revenue beginning in FY13-14 as a result of this bill is estimated to be \$207,116 ( $\$183,517 + \$23,599$ ).
- The net recurring decrease in state revenue beginning in FY13-14 as a result of this bill is estimated to be \$14,191,145 ( $\$14,681,395 - \$490,250$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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